

July 16, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVE AMENDMENT NO. 2 TO LEASE NO. 65889 AND EXERCISE
THE FIVE-YEAR OPTION TO RENEW
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
4060 WATSON PLAZA DRIVE, LAKEWOOD
(FOURTH) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to sign the attached Amendment No. 2 to Lease No. 65889 with Watson Land Company (Lessor) and exercise the County's option to renew the lease for a five-year term for continued occupancy of 71,450 rentable square feet of office space and 294 parking spaces for the Department of Children and Family Services (DCFS), Information Technology Services Division and the Bureaus of Children and Family Services and Child Protection at 4060 Watson Plaza Drive, Lakewood, at an initial annual maximum cost of \$1,243,230. Costs are 84 percent funded by State and Federal subvention.
2. Find that the project is exempt from the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board and Section 15062 (b) (3) of the State CEQA Guidelines.
3. Approve the project and authorize the Chief Administrative Office (CAO) and DCFS to implement the project. The lease amendment will be effective upon adoption by the Board of Supervisors.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The recommended action will allow the DCFS and the 627-member staff, who, with the exception of ITS staff, provide direct services to the public. To relieve overcrowding and address future growth, the department and CAO are planning to relocate a portion of the staff into SPA 6 and other nearby communities to better serve the DCFS client base.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we invest in public infrastructure in order to strengthen the County's fiscal capacity. The lease of property supports this strategy by complying with the Strategic Asset Management Principles (Goal 4, Strategy 2, Objective 2). In this case we are maximizing subvention by housing the program in leased space as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The maximum annual cost, subject to any future operating expense increases, is \$1,243,230. There are no tenant improvements provided in the amendment. Upon relocation of staff, any reconfiguration of the existing space will be funded by the department as a refurbishment project.

4060 Watson Plaza Drive, Pasadena	Existing Lease	Proposed Lease Amendment	Change
Area	71,450 rentable sq. ft.	71,450 rentable sq. ft.	None
Term	10 years (8/28/92 to 8/27/02)	5 years	Additional 5 years
Annual Base Rent*	\$1,294,674 (\$18.12/sq. ft.)	\$1,243,230 (\$17.40/sq. ft.)	(-\$51,444)
TI Allowance Included in Base Rent	\$900,000 (\$15.00/sq. ft.)	None	No TI allowance
Additional TI Allowance Used*	\$635,042	None	No TI allowance
Maximum Annual Rent	\$1,404,606 (\$19.66/sq. ft.)	\$1,243,230 (\$17.40/sq. ft.)	(-\$161,376)
Option to Renew	5 years upon 6 mos. notice	5 years upon 12 mos.	(add'l 6 months notice)
Cancellation**	None, except as provided in the lease	None, except as provided in the lease	None
Parking (Included in Base Rent)	294 surface and structured spaces	294 surface and structured spaces	None
Rental Adjustment***	Annual Oper. Exp. Adj.	Annual Oper. Exp. Adj.	None

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- * Under the existing lease, the County is paying \$1.64 per square foot in base rent plus adjustments over the lease term for operating expense increases and tenant improvements. Remaining tenant improvement costs in the amount of approximately \$8,886 will be fully paid off by expiration of the existing lease term or by 8/27/02. Base rent of \$1.45 per square foot may be increased over the next five-year term for any increases in operating expenses.
- ** The County has no right to cancel the lease during the five-year term except pursuant to the provisions of the lease referring to damage/destruction, condemnation, parking and hazardous materials.
- *** Annual operating expense adjustments, if any, are limited to a 5% cap per annum.

Sufficient funding for the proposed amendment is included in the proposed 2002-03 Rent Expense Budget and will be charged back to DCFS. Sufficient funding is available in the proposed 2002-03 DCFS Budget to cover the projected lease costs.

The cost associated with the proposed amendment will be 84 percent funded by State and Federal subvention.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Bureaus of Children and Family Services and Child Protection provide services to children and families to ensure children are healthy and safe. Adoptions staff provides case management supervision and services involved in finalizing adoptions. The START program is staffed by a multi-disciplinary group of professionals that provide intense and specialized case management services for at-risk dependent youths who exhibit pre-delinquent/delinquent behavior. The Child Protection unit provides prevention, preservation and permanency to ensure the welfare of children. Revenue Enhancement determines eligibility to Foster Care and Medi-Cal for children placement in out-of-home care. It also assists social workers by conducting searches of a CWS/CMS (a Statewide database) to identify potential homes for children based on social workers' descriptions of the children's specific needs. DCFS provides specialized direct service programs to the public in this office which include Adoptions, Integrated Services START Program, Bureau of Child Protection and Revenue Enhancement.

Regional and administrative (ITS) staff will be housed at this location.

The proposed five-year lease amendment provides approximately 71,450 rentable square feet of office space. The amendment contains the following provisions:

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- Annual rent is \$1,243,230 or \$17.40 per square foot annually, the monthly rent is \$103,602.50 or \$1.45 per square foot per month. The County will pay directly for all utilities which are currently \$0.37 per square foot per month.
- The underlying lease is modified full-service with the Lessor responsible for all operating and maintenance costs and provides 294 surface and structured parking spaces included in the rental rate which is sufficient to meet the parking needs of staff.
- An option to renew the lease for five years at 95 percent of fair market value upon 12 month notice to the Lessor.
- The Lessor will provide minor maintenance within 30 days of adoption by your Board.
- All other terms and conditions of the lease will remain in full force and effect.

CAO Real Estate staff surveyed the Artesia, Lakewood, Long Beach and Rancho Dominguez areas in proximity to the program as specified by DCFS to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically. Attachment B shows all County-owned and leased facilities within the search area for this program, and there are no County-owned or leased facilities available for these programs.

Based upon a survey of similar properties in the specified area, staff has determined that the base rental range, including parking, is between \$18.60 and \$23.88 per rentable square foot. Thus, the base annual rental rate of \$17.40 provided in the proposed lease amendment represents a below-market rental rate.

The Department of Public Works has inspected the facility and finds it suitable for the County's continued occupancy.

The need for an on-site child care facility was considered; however, the proposed building has no remaining available space to house a child care center. A children's play and visit waiting area is provided at the site.

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NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

This department has made an initial study of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board, and Section 15061 (b)(3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CAO that the proposed amendment is in the best interest of the County and will adequately provide the necessary space for this County requirement. In accordance with your Board's policy on the housing of any County offices or activities, DCFS concurs with this recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return three originals of the executed amendment and the adopted, stamped Board letter, and two certified copies of the Minute Order to the Chief Administrative Office, Real Estate Division at 222 South Hill Street, 4th floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
WLD:CAB:hd

Attachments (6)

c: County Counsel
Auditor-Controller
Department of Children and Family Services
4060Watson.b

Attachment A
Department of Children and Family Services
4060 Watson Plaza Drive, Lakewood
 Asset Management Principles Compliance Form¹

1.	<u>Occupancy</u>		Yes	No	N/A
	A	Does lease consolidate administrative functions? ² There is no space available in the department's headquarters building.		X	
	B	Does lease co-locate with other functions to better serve clients? ²	X		
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meet the guideline of 200 sf of space per person? ² 114 sf per person. Planning underway to relocate staff and provide refurbishment of existing space to improve space efficiencies when staff are eventually relocated.		X	
2.	<u>Capital</u>				
	A	Should program be in leased space to maximize State/Federal funding?	X		
	B	If not, is this a long term County program?			X
	C	Is it a net County cost (NCC) program? 16%		X	
	D	If yes to 2 B or C; capital lease or operating lease with an option?			X
	E	If no, are there any suitable County-owned facilities available? See attachment B.		X	
	F	If yes, why is lease being recommended over occupancy in County-owned space?			X
	G	Is Building Description Report attached as Attachment B?	X		
	H	Was build-to-suit or capital project considered? It is anticipated a portion of this program will be relocated to leased or build-to-suit space in SPA 6.		X	
3.	<u>Portfolio Management</u>				
	A	Did department utilize CAO Space Request Evaluation (SRE)?	X		
	B	Was the space need justified?	X		
	C	If a renewal lease, was co-location with other County departments considered? No other buildings are available that can accommodate the program within the target communities served.		X	
	D	Why was this program not co-located?			X
		1. ___ The program clientele requires a "stand alone" facility.			
		2. <u>X</u> No suitable County occupied properties in project area.			
		3. <u>X</u> No County-owned facilities available for the project.			
		4. ___ Could not get City clearance or approval.			
		5. ___ The Program is being co-located.			
	E	Is lease a full service lease? ² The County pays utilities.		X	
	F	Has growth projection been considered in space request? Growth projection is being considered but must be accommodated in other buildings/communities in the target service area.	X		
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
	¹ As approved by the Board of Supervisors 11/17/98				
	² If not, why not?				

**Department of Children and Family Services
4060 Watson Plaza Drive, Lakewood**

Space Search: Artesia, Lakewood, Long Beach, Rancho Dominguez Areas
As Specified on the DCFS SRE form line 6.f. Thomas Guide Search Request

LACO	FACILITY NAME	ADDRESS	SQ. FT. GROSS	SQ. FT. NET	OWNERSHIP	SQ. FT. AVAILABLE
A186	SHERIFF-TRAFFIC SERVICES ENFORCEMENT OFFICE	18300 GRIDLEY RD., ARTESIA 90701	2266	2040	LEASED	NONE
A080	PUBLIC LIBRARY-ARTESIA LIBRARY	18722 S. CLARKDALE AVE., ARTESIA 90701	5439	4752	LEASED	NONE
B265	DHS-HOME VISITATION- FAMILY INTERVENTION PROGRAM	2651 ELM ST., LONG BEACH 90806	500	500	LEASED	NONE
A959	DPSS-PARAMOUNT AP DISTRICT/GAIN PROGRAM REG V	2959 E. VICTORIA ST., RANCHO DOMINGUEZ 90221	54000	44280	LEASED	NONE
A020	SHERIFF-FIELD OPERATIONS REGION II	3010 E. VICTORIA ST., RANCHO DOMINGUEZ 90221	14040	10668	LEASED	NONE
5867	PUBLIC LIBRARY-ANGELO M IACOBONI LIBRARY	4990 N. CLARK AVE., LAKEWOOD 90712	25377	20762	LEASED	NONE
A350	ASSESSOR-LONG BEACH REGIONAL OFFICE	5898 CHERRY AVENUE, LONG BEACH 90808*	12450	6991	OWNED	NONE
B600	PUBLIC LIBRARY-GEORGE NYE JR LIBRARY	6600 DEL AMO BLVD., LAKEWOOD 90713	7394	6136	LEASED	NONE

* Although the Assessor will have vacated the space by the end of June 2002, the current plan is to backfill the space with the Department of Animal Care and Control.